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Letter dated 3 May 2007 from the Secretary-General to the President of the Security Council

Pursuant to Security Council resolution 1031 (1995), I have the honour to convey the attached letter, dated 23 April 2007, from the High Representative for Bosnia and Herzegovina, transmitting the thirty-first report on the implementation of the Peace Agreement, covering the period from 1 July 2006 to 31 March 2007 (see annex).

I should be grateful if you would bring the present letter and its annex to the attention of the members of the Security Council.

(*Signed*) **Ban** Ki-moon

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Annex

Letter dated 23 April 2007 from the High Representative for Bosnia and Herzegovina addressed to the Secretary-General

Pursuant to Security Council resolution 1031 (1995) of 15 December 1995, in which the Council requested the Secretary-General to submit to it reports from the High Representative in accordance with annex 10 to the General Framework Agreement for Peace in Bosnia and Herzegovina and the conclusions of the London Peace Implementation Conference of 8 and 9 December 1995, I herewith present to you the thirty-first report (see enclosure). I would ask for this report to be distributed to the members of the Security Council for their consideration.

The present report covers the period from 1 July 2006 to 31 March 2007. Should you or any member of the Security Council require any information beyond what is offered in the report or have any questions regarding its contents, I should be pleased to reply in writing.

(*Signed*) Christian **Schwarz-Schilling**

Enclosure

Report of the High Representative for Bosnia and Herzegovina to the Security Council

1 July 2006-31 March 2007

Summary

1. The general election campaign and the subsequent negotiations to form new governments at the state, entity and cantonal levels dominated the second half of 2006 and the first quarter of 2007 in Bosnia and Herzegovina. Although I continued to encourage and support the domestic authorities in their efforts to adopt and implement the reforms required if Bosnia and Herzegovina is to make further progress towards Euro-Atlantic integration, both the intense pre-election environment and the complicated post-election situation were far from conducive to success. By year's end, only the Republika Srpska had a reconstructed government. The State-level Council of Ministers was formed in February, and a Federation government was finally established on 30 March. At the end of March, six months after the elections, 3 of the 10 cantons remained without new governments.

2. The highly divisive and occasionally inflammatory rhetoric that characterized the election campaign put my resolve to promote domestic ownership to the test; but it also made it possible to make a realistic assessment of the extent to which the domestic political establishments could take on ever-increasing responsibility for their own country's affairs. Only by establishing the reality of the situation in Bosnia and Herzegovina did it prove possible to identify the mechanisms that will be required in future to assist this country in completing its transition from post-communist and post-war fragility to Euro-Atlantic integration and security.

3. Despite repeated calls during and after the election campaign for a referendum on the independence of the Republika Srpska — and countervailing demands from the Federation to abolish that entity — the first general elections since the war to be wholly organized and run by the domestic authorities passed off peacefully and successfully on 1 October. On the other hand, the parties that employed the most vociferous rhetoric during the campaign were also the biggest winners: the Alliance of Independent Social Democrats (SNSD) led by the Prime Minister of the Republika Srpska Milorad Dodik, and the Party for Bosnia and Herzegovina (SBiH), led by the newly elected Presidency member, Haris Silajdžić. The electoral arithmetic meant, however, that these two parties, regardless of their opposite stands on numerous issues, were compelled to share power at the State level, in the Federation and in some cantons.

4. The other notable result of the elections was the weakening of the traditional nationalist parties that had dominated the political scene in Bosnia and Herzegovina since the first free elections in 1990: the (Bosniak) Party for Democratic Action (SDA), the Serb Democratic Party (SDS) and the Croatian Democratic Union of Bosnia and Herzegovina (HDZ BiH). Their loss of predominance among their respective electorates does not signal, however, any diminution in the salience of national (and nationalistic) issues.

5. Little progress was made during the period in meeting the preconditions for signing the Stabilization and Association Agreement with the European Union. The technical negotiations with the European Commission were completed successfully,

with very good performances on the Bosnia and Herzegovina side by both the chief negotiator and the Directorate for European Integration. However, the failure to forge a political agreement on police restructuring precluded the initialling of an agreement during the period.

6. Constitutional reform remained a high-profile issue, although there has been no concrete progress on constitutional reform in the last six months, primarily due to the focus of the local authorities on government formation and police reform. The package of amendments narrowly defeated in the Bosnia and Herzegovina Parliament in April 2006 remains on the table. However, it appears increasingly unlikely that the package will get the necessary support to be reintroduced and adopted, despite clear and repeated calls for this by the Steering Board of the Peace Implementation Council. Recent political developments have confirmed constitutional reform as imperative for Bosnia and Herzegovina for both political and functional reasons. The debate on constitutional problems and the need for reform continues to occupy much political and public space. Political leaders of Bosnia and Herzegovina have recently started to promote some ideas on possible constitutional set-ups. The ruling by the International Court of Justice on 26 February on the suit launched by the former Republic of Bosnia and Herzegovina against the former Federal Republic of Yugoslavia in 1993 has brought the issue to the fore once again. Bosniak politicians, led by Haris Silajdžić, have seized upon the Court's verdict and have pointed out that it was the army and police of the wartime Republika Srpska that committed genocide in and around Srebrenica in July 1995. They demand that the Srebrenica municipality be removed from Republika Srpska jurisdiction and that the Republika Srpska itself be abolished through more far-reaching constitutional changes. Their Serb counterparts have responded by both defending the legitimacy of the Republika Srpska and offering economic and fiscal assistance to Srebrenica residents, the Bosniak returnees among whom have threatened to leave the town once more if their demands are not met. In close coordination with the United States Government, in my capacity as European Union Special Representative, I am preparing for a broad constitutional reform process to be set up and operating in the second half of 2007.

7. In November, the North Atlantic Treaty Organization (NATO) invited Bosnia and Herzegovina to join its Partnership for Peace, together with Serbia and Montenegro. NATO Secretary General Jaap de Hoop Scheffer stressed in the aftermath of the decision that NATO still expected the three countries to improve their cooperation with the International Tribunal for the Former Yugoslavia.

8. In December, Bosnia and Herzegovina scored another success when, after hard negotiations over agricultural imports with its neighbours, it joined the Central European Free Trade Agreement. Just as the Partnership for Peace is an anteroom to full NATO membership, the Agreement provides the Western Balkan States with a single set of trade rules harmonized with those of the European Union. Meanwhile, economic growth remained healthy, with an increase in real GDP — despite the one-time boost in inflation to 6.8 per cent following the introduction of a value-added tax (VAT) — and rising exports.

9. The security situation was stable during the reporting period. Only a few security incidents or cases of nationally motivated violence or vandalism were noted. The most serious took place around Mostar and in areas of Bosniak return to the Republika Srpska during the summer.

10. Political processes in Mostar hardened in the second half of the year. No progress had been made by summer in finalizing the systemization of the administration, forming an urban planning institution, resolving the status of Hercegovačka Radio-Television and various cultural institutions, or forming a single public utility company. I therefore appointed a special envoy, Norbert Winterstein, to mediate, arbitrate or recommend other solutions to outstanding disputes. He successfully resolved several long-standing issues, but I was required in December to impose solutions pertaining to urban and spatial planning that he had recommended but had been unable to convince the polarized parties to adopt.

11. Brčko District was also characterized by mounting party disputes within the majority coalition and declining effectiveness on the part of the government, all exacerbated by the State-wide election campaign, uncertainty over the District's post-supervisory future and continuous disputes over revenue allocation from the Bosnia and Herzegovina Single Account. Raffi Gregorian succeeded Susan Johnson as Supervisor in September, just in time to take part in the negotiation of a State law on Brčko District that would seek to regulate the District's long-term status and prerogatives. Mr. Gregorian also instituted changes to the District's statute that would make for more functional and accountable government.

12. As noted above and predicted in my previous report, the uncertain regional situation and, in particular, mounting tension caused by both the approach to and deferment of a Kosovo status decision had a negative impact on politics and political discourse in Bosnia and Herzegovina over the period. The independence referendum in Montenegro in May set the scene for much loose and inflammatory talk of both "self-determination" in the Republika Srpska and the abolition of the entities in the Federation during the election campaign. This continued as Belgrade officials attempted to link the fates of Kosovo and the Republika Srpska. Prime Minister Dodik also used the renegotiation of the parallel relations agreement with Serbia, Belgrade's offer to build a new bridge across the River Sava at Bosanska Raca, and the lucrative sale of the entity's telecommunications operator to its State-owned Serbian counterpart to reinforce his close economic and political connections with Serbia.

13. Staff of the Office of the High Representative continued to work towards fulfilling the Office's workplan and revised Mission Implementation Plan, which were approved by the Peace Implementation Council in March 2006. Our efforts were hampered, however, by both pre-election politicking and the post-election interregnum, as parties slowly negotiated the formation of new coalition governments. The completion rates of the plans suffered accordingly.

14. It was this uncertain regional environment, combined with the virtual halt in reform and the prolonged void in government following the elections, that convinced me that it would be rash to proceed with the planned closure of the Office of the High Representative and the transition to an operation conducted solely by the European Union Special Representative in Bosnia and Herzegovina after June 2007. The Peace Implementation Council Steering Board endorsed that view at its meeting in Brussels on 26 and 27 February. In line with the general consensus of the Steering Board members, there was agreement to aim for closure of the Office by 30 June 2008 and to review the situation in October 2007 and February 2008. The Steering Board emphasized that the policy of ownership remained the guiding principle and that the international community would help Bosnia and Herzegovina

to make the final steps from peace implementation to Euro-Atlantic integration as soon as possible. The Russian Federation stated that it was unable to join the consensus and that it would make conclusions consistent with Security Council resolution 1722 (2006). I had announced in January that I would not seek an extension of my mandate beyond June 2007.

I. Introduction

15. This is my second report to the Secretary-General since assuming the Office of High Representative for Bosnia and Herzegovina on 31 January 2006. As has been the norm, it assesses progress made towards attaining the goals outlined in previous reports, reviews developments during the reporting period and provides my assessment of mandate implementation.

II. Political update

16. The results of the general elections held on 1 October were certified on 27 October — a few days before the legal deadline — but the broad contours of the resulting political landscape in Bosnia and Herzegovina had been far more quickly discernible. The big winners were Milorad Dodik (and SNSD) and Haris Silajdžić (and, to a slightly lesser extent, SBiH). Their victories were also victories for the radical and polarizing political rhetoric that they had employed during the campaign, which had centred on their antithetical conceptions of the future constitutional order in Bosnia and Herzegovina. The irony of the result is that their two parties are now condemned to cohabitation in government and future progress will largely depend on the ability of Messrs. Dodik and Silajdžić to find mutually acceptable compromises.

17. The other notable result of the October poll was the blow dealt to the "big three" nationalist parties, SDA, SDS and HDZ BiH, which had dominated their respective people's political horizons since 1990. Although diminished in strength, all three will, however, continue to be important players. Indeed, only SDS will be excluded from a share in power at the State and entity levels. The relative or absolute defeats of the traditional nationalist parties did not mean, of course, a defeat for nationalist politics. The victors simply proved more adept at mobilizing national sentiments and issues, accusing the formerly dominant nationalists of having failed to stand firm on salient national issues, such as constitutional reform and the balance between State and entity prerogatives.

18. By winning 41 of the 83 seats in the National Assembly of the Republika Srpska, Mr. Dodik came close to obtaining an absolute majority and more than doubled the previous 19 seats of SNSD. SDS, by contrast, saw its tally fall from 26 to 17 seats. It promptly repudiated its latterly moderate leader and defeated candidate for re-election as president of the Republika Srpska, Dragan Čavić, and turned to the right. Mr. Dodik, for his part, needed only to offer a ministerial office to a few smaller parties to construct a strong majority and then to reshuffle his existing cabinet. Having done so, he won confirmation by the National Assembly of the Republika Srpska on 29 November.

19. In the Federation, SDA retained its position as the biggest Bosniak party, with 28 seats in the lower House, but the loss of just four mandates understated the

party's relative defeat in the face of SBiH's jump from 15 to 24 seats and Mr. Silajdžić's clear victory over SDA leader Sulejman Tihić in the race for the Bosniak place on the Bosnia and Herzegovina Presidency. The long-dominant Croat party, HDZ BiH, lost half of its previous 16 seats in the Federation lower House, but still edged out the breakaway HDZ 1990, which won seven. On the other hand, HDZ 1990, in combination with smaller Croat parties, claimed the leadership of the majority Croat coalition once all the cantonal assemblies had elected their delegates to the upper House, the House of Peoples.

20. A feature common to both entity Parliaments elected in 2006 is that the number of parties winning seats was reduced, so making political management easier. No Croat parties, for example, won seats in the National Assembly of the Republika Srpska, though the number of Croat deputies (elected as SNSD candidates) remained the same at four. The number of predominantly Bosniak parties winning seats in the National Assembly of the Republika Srpska remained the same (3), but their total number of seats fell from 10 to 8. On the other hand, SNSD won two seats in the Federation Parliament.

Government formation

21. The SDA and SBiH leaders quickly agreed in October on an undefined post-election coalition, but serious talks about forming a State-level Government did not begin until mid-November. They continued in desultory fashion until year's end, but picked up speed and purpose in January. The major sticking point throughout was which of the two HDZ parties would share power; the SDA preferred HDZ BiH, while SBiH wanted a partnership with HDZ 1990, which had also opposed the March set of constitutional reforms. For its part, HDZ BiH had long rejected any notion that both Croat parties should enter Government. In the end, the Council of Ministers confirmed by Parliament on 9 February and the Federation Government finally established on 30 March contained ministers from both Croat parties.

22. Despite the fact that the business of forming the State and Federation Governments was long and tortuous, it was a positive sign that SNSD was determined both to occupy the prime executive post at State level, so according the chairmanship of the Council of Ministers greater importance, and to take ministerial office in the Federation for the first time. In addition to the chairmanship of the Council of Ministers, SNSD took two of the more important State-level ministries. It was an equally healthy sign that there were no demands that the international community should intervene to broker a deal. Although Mr. Dodik stated before the Council of Ministers was established that the governing majority would be a purely mathematical combination, and not a real coalition, and that SNSD would focus on running "its" ministries, his interest in the chairmanship and the calibre of his ministerial nominees suggested otherwise.

23. Although the six parties that signed up to the March 2006 package of constitutional reforms won the two-thirds majority of seats that would be required to pass the amendments on a second attempt, two (SDP and SDS) have gone into opposition and announced that they can no longer be counted upon to back the amendments, while a third (SDA) is internally split on the issue. The combination in Government of parties wholly opposed to the package (SBiH and HDZ 1990) with those who still favour it (SNSD and HDZ BiH) and one that is now equivocal (SDA) means that no clear way ahead is yet visible. The Peace Implementation Council

Steering Board nonetheless reaffirmed its view that early adoption of the package would constitute a positive first step and provide a basis on which to establish a broader process by mid-2007 that would help Bosnia and Herzegovina meet the requirements of a modern European State.

24. As noted above, the new but little-changed Republika Srpska government was confirmed in office on 29 November, celebrating in mid-March the achievements of its first 100 days while Federation politicians were still wrangling over portfolios, particularly those to be allotted to the Croat parties. Once that was done, there followed a rushed attempt on 22 March to subvert the process whereby my office vets nominees for five sensitive ministries. The reason for the sudden haste was ostensibly the need to adopt and enact the Federation's 2007 budget before the expiry of the temporary financing authority on which the caretaker government had operated.

25. Having warned parliamentarians that vetting was not yet complete and asked them to postpone their session for the day or two that would be required, the House of Representatives nonetheless proceeded to elect the new government. I was thus compelled to nullify the House's vote on 23 March. Since one ministerial candidate did not, in the event, pass the vetting procedure, I asked the relevant party (SBiH) to nominate another. This it promptly did, so permitting an accelerated vetting procedure and a new session of Parliament on 30 March. The Cabinet was duly confirmed and the 2007 budget adopted.

26. The new Federation House of Representatives had convened within the prescribed deadline on 21 November, but did so only to swear in Members of Parliament and to recess. Most cantonal assemblies did not even do that. Moreover, the failure of the cantons to respect deadlines made it impossible to form the Federation House of Peoples (which is elected from the cantons) and the House of Peoples of Bosnia and Herzegovina (two thirds of whose members are elected from its Federation counterpart) before February. In addition, there will continue to be a small shortage of Serbs in the Federation House of Peoples, since not enough were elected to the cantonal assemblies. Moreover, three cantons remained without new governments at the end of March.

Party-political realignments and reactions

27. The immediate post-election period saw the weakened leaders of SDA and SDS facing revolts over their parties' disappointing results. While Sulejman Tihić (SDA) survived, Dragan Čavić (SDS) was forced out in mid-November. SDS has now reverted to the intransigence of its earlier days, but is unlikely to be able to outflank Milorad Dodik in this regard. The newly elected SDS leadership has nevertheless been openly flirting with former SDS officials removed for support of persons indicted for war crimes.

28. The new HDZ 1990 bucked the trend established by earlier breakaway parties from HDZ BiH by winning a substantial number of seats at the State, Federation and cantonal levels. HDZ 1990 benefited from perceptions that it was backed by both the HDZ Government in Zagreb and the Catholic Church, as well as from the conviction in the autumn of HDZ BiH leader Dragan Čović for financial crimes when he was Federation Finance Minister.

29. The major non-nationalist (or non-national) party, the Social Democrats (SDP), failed to make significant headway, but is set to remain the strongest opposition party in the State and Federation Parliaments. The party's one success, the election of its candidate, Željko Komšić, to the Croat seat on the Presidency, stemmed from the split between the two HDZ parties and the votes of SDP loyalists among all three constituent peoples. The explicitly Croat parties cried foul and denounced the legitimacy of a Croat supposedly elected by non-Croats, but their protests petered out rapidly. SDP leader Zlatko Lagumdžija subsequently called for a vote of confidence in his leadership, which he won easily.

30. Claims by Mr. Dodik that the secessionist rhetoric that characterized the campaign in the Republika Srpska would evaporate after the election have, by and large, been borne out by events. On 28 March, Republika Srpska President Milan Jelić stated that SNSD had abandoned its pre-election rhetoric on a referendum in the Republika Srpska as the international community and the Office of the High Representative have clearly said that the Republika Srpska could not be abolished and so there was no need for a referendum. The Prime Minister did, however, keep the notion of a referendum alive by proposing instead to call one on policing should the existence of the Republika Srpska police be threatened (this was an idea he had borrowed from SDS). Non-governmental organizations based in the Republika Srpska, however, have continued to agitate on behalf of referendums on both policing and secession.

Constitutional reform

31. As noted above, the future of the first-ever package of constitutional amendments in post-Dayton Bosnia and Herzegovina remains uncertain. Nonetheless, constitutional reform was an inescapable subject during the coalition negotiations and will remain on the agenda no matter how divided the new governments may be on the issue. Although nearly everyone agrees that constitutional change is necessary if Bosnia and Herzegovina is to have functional, affordable and European Union-compatible governance, few agree on the nature and scope of the reforms. Most Serbs want an explicitly federal State composed of three "national-majority" units, though any effort to define the prospective boundaries of such units undermines potential Serb-Croat concord on this point. Bosniaks, on the other hand, continue to favour an integral or "civil" State, the territorial sub-units of which would be merely administrative — and certainly not national or constituent. This is unacceptable to Serbs and Croats, because they see it as guaranteeing majority (that is, Bosniak) rule.

32. The determination of the Bosniaks to pursue the goal of an entity-free Bosnia and Herzegovina has been reinforced by the verdict of the International Court of Justice on 26 February. The Court's finding that the wartime institutions of the Republika Srpska had been responsible for genocide in Srebrenica has provided an opening: first for demanding Srebrenica's removal from the jurisdiction of the Republika Srpska, then for the elimination of the Republika Srpska police and, eventually, for the abolition of the entity itself.

33. Although both the United States Government and I had hoped to work for the speedy adoption of the modest package of amendments that failed in April, making it clear that this was but the first step in what would have to be a more thoroughgoing process of constitutional reform, the omens are far from good at

present. In the medium term, however, both the pressure of events and the development of a popularly inclusive procedure involving the Bosnia and Herzegovina Parliament, outside experts and civil society could forge the necessary consensus for change. This would require an effective structure, combining both international and Bosnian experts, and a strong secretariat to support the Bosnia and Herzegovina Parliament and maintain the momentum. There will thus be a key role for the international community to play, particularly the European Union, led by the Special Representative and the United States, in supporting the initiation of this process and facilitating progress over the next few years.

34. Also on the constitutional front, I was obliged on 23 March to issue an order to assure the integrity of decisions taken by my predecessors and myself and to make sure that the authorities of Bosnia and Herzegovina abide by their obligations under the Dayton Peace Accords and Security Council resolutions. The need for this order arose from a ruling on July 2006 by the Bosnia and Herzegovina Constitutional Court on an appeal for redress from two persons removed from office by my predecessor in 2004 in relation to non-cooperation with the International Tribunal for the Former Yugoslavia. The Court, although not directly challenging that decision, had ordered the State authorities to take steps to remedy such removal decisions. My order established a process whereby the authorities will be able to comply with the Constitutional Court's ruling without, at the same time, violating their obligations to respect and implement decisions of the High Representative taken under annex 10 of the General Framework Agreement for Peace. The order prohibits the establishment of any review mechanism by the Bosnia and Herzegovina authorities while obliging them to refer such matters to the High Representative, as Chair of the Peace Implementation Council Steering Board.

35. This order was made following close consultations with Steering Board members and others. On 27 February, the Steering Board reminded all institutions that the international obligations of Bosnia and Herzegovina under the General Framework Agreement and the Charter of the United Nations must be respected and called upon me to take appropriate actions to ensure that Bosnia and Herzegovina fulfils those obligations.

III. European partnership requirements

36. The technical rounds of the negotiations on the Stabilization and Association Agreement completed in 2006 proved constructive. They focused on trade concessions, the movement of goods, the approximation of laws, law enforcement and competition rules, mutual assistance in customs matters, dispute-settlement mechanisms and transitional periods. No breakthroughs were made, however, on the preconditions for signing the Agreement, namely police restructuring, public broadcasting reform and cooperation with the International Tribunal for the Former Yugoslavia.

Police restructuring

37. In December 2006, the Directorate for Police Restructuring Implementation completed its 36-page final report entitled "Proposed plan for the implementation of the reform of police structures in Bosnia and Herzegovina", as mandated by the Agreement on the Restructuring of Police Structures signed in October 2005. The

Directorate submitted its report to the Bosnia and Herzegovina Ministry of Security on 27 December 2006, and on 3 January 2007, the Ministry of Security forwarded it to the Secretary-General of the caretaker Council of Ministers.

38. The report was the result of 12 months of work, during which the Steering Board of the Directorate held 28 meetings (15 during the reporting period). There were numerous delays, however, stemming largely from the Republika Srpska government's obstruction of and objections to the legitimacy of the process, notwithstanding the fact that the Republika Srpska National Assembly had adopted the Agreement and Serb ministers in the Council of Ministers had supported the formation of the Directorate. Opposition by the Republika Srpska to the process culminated in a decision in May 2006 to downgrade its representation on the Steering Board to that of observer. Directorate members from Republika Srpska institutions maintained their status as observers for the remainder of the Directorate's mandate, although Serb representatives of the State continued to participate.

39. As a result of these delays and obstructions, the report was submitted three months after the deadline envisaged in the Agreement, without some of the elements specified by the Agreement. In particular, it does not include draft legal acts or rulebooks, a timetable for the overall implementation period, or a map of police regions.

40. The proposed policing system provides for an organizationally integrated structure with decentralized police operations and decision-making. The consolidation of administrative services (human resources, finance, procurement, information technology/communications), which are currently duplicated in each of the 15 existing police forces, is perhaps the most far-reaching aspect of the report. The new system also envisages a single forensics centre and police academy. The local policing level would operate with fairly extensive autonomy, although the future Director of Police and the Directorate for Police Coordination would provide an operational hierarchy.

41. The report also offers concrete solutions designed to implement the three guiding principles set by the European Union:

(a) All legislative and budgetary competencies for all police matters must be vested at the State level;

(b) No political interference with operational policing;

(c) Functional local police areas must be determined by technical policing criteria where operational command is exercised at the local level.

42. With regard to the first principle, the report clearly establishes that the State should be vested with exclusive legislative competency for all police matters and that other levels of government cannot legislate on police matters. The report also envisages a single police budget to be adopted by the Bosnia and Herzegovina Parliamentary Assembly. Regarding the second principle, the report provides for numerous oversight mechanisms designed to keep politics out of policing, mainly through parliamentary watchdogs and institutions, such as the Independent Board and Public Complaints Office. On the third principle, the report enumerates specific technical guidelines and criteria for forming local policing areas, but does not contain a map suggesting what they should be.

43. In line with the Agreement, the State and entity governments and Parliaments will need to adopt the Directorate's proposal, along with any agreed amendments. Because of the earlier withdrawal of Republika Srpska support from the Directorate, continuing Serb determination to maintain the name Republika Srpska for police forces deployed on its territory, and a reinforced Bosniak view that no such thing must happen, the forging of a political consensus on the Directorate's report, let alone the number and shape of local policing regions, has thus far proved impossible. My Office has organized or participated in numerous meetings among party leaders this year and has conducted bilateral negotiations.

44. At several points it has looked as if progress was being made, most notably at a meeting of Serb and Bosniak leaders on 14 March, the day before the European Union Commissioner for Enlargement, Olli Rehn, arrived in Sarajevo. Although Mr. Dodik on that day shifted his position significantly towards meeting the three European Community principles, Messrs Silajdžić and Tihić deemed this to be insufficient, offering compromise only after the Commission had left and Mr. Dodik had back-tracked. The failure to reach a political agreement and to promptly translate it into parliamentary acts and legislation on implementation may make it increasingly difficult for Bosnia and Herzegovina to sign the Stabilization and Association Agreement before the end of 2007.

IV. Entrenching the rule of law

45. In addition to police reform, my office has continued to focus on facilitating and consolidating the implementation of other rule of law reforms, especially those that aim to build the capacity of existing law enforcement agencies and the Bosnia and Herzegovina State Court.

46. The Office of the High Representative/European Union Special Representative has worked over the period with the Bosnia and Herzegovina Ministry of Security, the State Investigation and Protection Agency, the State Border Service and the entity and cantonal interior ministries and police to build their capacity, particularly in the fight against organized crime. We have also worked to enhance the capability of the recently formed Bosnia and Herzegovina Service for Foreigners' Affairs.

47. In the second half of 2006, my colleagues sought to identify systemic problems in the work of prosecutors and to facilitate improved cooperation between them and the police. They also produced an analysis of strategies and best practices in the prosecution of organized crime in other European countries and distributed it to local prosecutors.

48. The Office of the High Representative also contributed to ensuring the successful transition of the Registry of the State Court to full domestic ownership by concluding a new registry agreement. Replacing the original of December 2004, the new agreement provides for the gradual transfer of responsibility for the Registry to domestic institutions. Of particular importance are the provisions, that give authority to the High Judicial and Prosecutorial Council to appoint all judges to the State Court and all prosecutors to the State Prosecutor's Office, and the provisions reorganizing the Registry and its financing. The agreement also provides for the integration of national Registry staff into domestic judicial institutions from 2006 to 2009. The goal is to ensure that Bosnia and Herzegovina assumes full responsibility for the State Court and Prosecutor's Office with regard to finance, administration

and personnel matters, as well as to guarantee the long-term sustainability and capacity of domestic judicial institutions to process war crimes and organized crime cases.

V. Cooperation with the International Tribunal for the Former Yugoslavia

49. A number of complex trials for war crimes are still under way in the State Court. The court also initiated trials of cases transferred from the International Tribunal for the Former Yugoslavia in the reporting period (Savo Todović, Mitar Rašević and Paško Ljubičić). The first instance verdict in another case transferred from The Hague (Radovan Stanković) was handed down in November: the accused was found guilty of crimes against humanity and sentenced to 16 years' imprisonment.

50. There was little or no progress in capturing remaining Tribunal fugitives. In December, however, the Republika Srpska government adopted a new action plan directed at the location, apprehension or voluntary surrender of such fugitives. We look forward to seeing it implemented. In the meantime, my colleagues and I will continue to monitor and exhort the authorities in Bosnia and Herzegovina, in particular the Republika Srpska authorities, in this matter.

51. In addition to its decision of 27 February to not close the Office of the High Representative in June 2007, the Peace Implementation Council Steering Board directed the Office to reinforce its efforts to secure full cooperation with the Tribunal by the domestic authorities during its remaining tenure. My Office is making every effort to do so, all the more so because of the simultaneous judgment of the International Court of Justice and the political impact it has had in Bosnia and Herzegovina.

VI. Reforming the economy

52. Now that the new governments are in place, it is imperative that they both rise to the challenges ahead and deal with a substantial backlog of essential fiscal and economic legislation. The country not only needs to maintain sound macroeconomic policies but must also make substantial progress on the structural reforms required to lay the foundations for sustained, private-sector-led growth.

53. That said, economic growth has remained relatively robust, and it is likely that real GDP growth of 5 per cent in 2005 will increase to 5.7 per cent in 2006. The introduction of the value-added tax inevitably had an impact on retail prices, producing a one-time rise in the average rate of inflation to 6.8 per cent. Exports have picked up and, with improved statistics, the current account deficit should show a narrowing from 21 per cent of GDP in 2005 to about 13.5 per cent in 2006. The external deficit, however, remains very large.

Introduction of the value-added tax

54. The successful introduction of a value-added tax was undoubtedly the high point of economic reform in 2006. Projected revenue collection from VAT for 2006 was 3.5 billion convertible marka (KM). Actual revenues far exceeded the initial

projection, reaching a final total of slightly more than KM 4 billion. There continues to be intense disagreement, however, over the formula for allocating these revenues among the entities and Brčko District, making it clear that the current methodology represents a constant source of contention. As a consequence, revenues from the Single Account have only been allocated on a monthly or bimonthly basis, and sometimes in arrears. The contention has also caused delays in reaching an agreement on the National Fiscal Council, which still has no basis in law and has, therefore, neither an effective mechanism for breaking deadlocks among its members nor any means of enforcing its decisions.

Budgets

55. The effects of the unsatisfactory level of intergovernmental coordination and the lack of a law on the National Fiscal Council were again obvious. Preparation of the 2007 budgets continued to be marred by such weaknesses. Governments are boosting their spending in an inefficient and shortsighted manner, albeit not dangerously so. This trend, however, poses a fiscal risk if revenues stagnate, let alone drop, as the governments quickly came to rely on steadily increasing revenues during 2006.

Business environment

56. Progress in improving the business environment, restructuring corporations and making structural reforms slowed in 2006. According to the World Bank Business Environment and Enterprise Performance Survey for 2006, improvements have mainly been made in taxation, customs and trade regulation. However, all efforts to centralize banking supervision at the State level or to adopt laws crucial for creating a single economic space in Bosnia and Herzegovina (for instance, laws on obligations and pharmaceuticals) have failed or been postponed. My Office has also been engaged in improving the business environment through institutional support for business associations and trade chambers, as well as in encouraging socio-economic dialogue.

57. Corporate restructuring has proceeded slowly and progress in strengthening corporate governance has been modest in comparison to neighbouring countries. The absence of political interest or will has stymied privatization efforts in the Federation, although there has been significant progress in the Republika Srpska in privatizing a number of large companies.

Infrastructure reform

58. While the demand for most modes of transport is growing markedly, the absence of an overall national infrastructure policy is a major problem. This is partly due to the lack of institutional capacity, but also to politics, particularly in the railway sector. The situation is slightly better in the electricity industry, which has been restructured with significant assistance from the World Bank, the European Commission and several other donors. The main challenge will be to increase the power-generation capacity in a transparent and competitive process, with the objective of achieving a balance between risks and benefits, for both Bosnia and Herzegovina and investors.

VII. Public administration reform

59. The State, entity and Brčko District governments adopted the National Public Administration Reform Strategy prepared by the reform coordinator during the reporting period. Six intergovernmental working groups were established to work on its implementation. The strategy encompasses the six horizontal reform areas: human resources; legislative drafting; administrative procedures; information technology; institutional communications; and public finance. The Office of the High Representative provided both political support and technical assistance throughout the adoption process.

60. Although the working groups have been set up, implementation of the action plan has yet to begin in earnest. This will need to be the focus in coming months, and the Office of the High Representative will, within its means and capabilities, seek to assist the authorities. Initiating the implementation of the comprehensive public administration reform action plan is a key short-term priority of the European Partnership and a condition for signing the Stabilization and Association Agreement.

VIII. Defence reform

61. NATO Member States invited Bosnia and Herzegovina to join the alliance's Partnership for Peace on 29 November 2006, signifying fulfilment of one of the main benchmarks of success in defence reform. Meanwhile, work continued throughout the period on transferring all property identified by the Bosnia and Herzegovina Ministry of Defence as necessary for defence purposes from the entities to the State. This effort was hampered, however, by the repeated refusals of the Republika Srpska government to comply with the relevant provisions of the Law on Defence. Work on transferring the residual Dayton tasks and functions of the European Union military mission to the Bosnia and Herzegovina authorities also intensified. But Bosnia and Herzegovina remains in need of legislation providing for the oversight of movements of weapons and military equipment within the country, including the structures required to ensure implementation. The domestic authorities also worked on programmes aimed at safely disposing of surplus weapons and military equipment. However, without transfers of ownership by the entities, these programmes cannot be implemented.

62. After much political wrangling and discussion of relative national representation in the Armed Forces of Bosnia and Herzegovina, on 5 July 2006 the State Presidency finally adopted a decision on their size and structure that allowed for the development of an increasingly integrated force. It thus offers a solid basis for future progress while providing immediately for the Armed Forces to have niche capabilities in the spheres of demining and explosive-ordnance disposal. There is a realistic ratio of officers to non-commissioned officers and soldiers (2:3:5). The Forces will be fully professional, with no conscripts and no passive reserve. Membership in the Partnership for Peace will help ensure that improvements continue to be made, particularly since Bosnia and Herzegovina has begun to participate in the NATO force-development process. The Bosnia and Herzegovina Chief of Joint Staff has produced an implementation plan with timelines for the stand-up of all elements of the Armed Forces. The plan aims to ensure that the legally defined dates for the formation of headquarters and the battalions assigned to

them can be met. It is likely, however, that those timelines will slip, owing to the fact that the selection process for military personnel is not yet complete.

63. Bosnia and Herzegovina submitted its presentation document to NATO before the end of 2006. It has been accepted and Bosnia and Herzegovina is now preparing its individual partnership plan. On 16 March 2007, it also signed a NATO security agreement that defines parameters for the exchange of information between NATO and Bosnia and Herzegovina, including document handling, security clearances and the like. The initial phases of the planning and review process have also begun.

64. Although not a defence-reform issue per se, Bosnia and Herzegovina recently dispatched its fifth contingent (an explosive ordnance disposal platoon) to serve with the United States-led coalition in Iraq. Each contingent has served for six months. Platoon members are volunteers drawn from the Armed Forces as a whole and, as with other smaller deployments in the past (for instance, with the United Nations in Ethiopia/Eritrea), they represent all three constituent peoples.

IX. Intelligence reform

65. The Intelligence and Security Agency of Bosnia and Herzegovina fine-tuned its organizational structure during the reporting period in order to take on the responsibility for security vetting prescribed by the Law on the Protection of Secret Data. A first batch of Agency employees commenced training on both operational and analytical aspects of the Agency's work. Such training, as well as consultations with international experts, remained a priority. Both executive control and parliamentary oversight of the Agency continued to mature.

66. The Intelligence and Security Agency underlined its ability to act as the key point of contact in Bosnia and Herzegovina for counter-terrorism efforts through its membership of several international forums for intelligence cooperation. Bilateral donors provided both training and material assistance. The Agency will continue to work with the Mission to Bosnia and Herzegovina of the Organization for Security and Cooperation in Europe and other partners to consolidate it with all aspects of the laws that regulate it and to ensure both proper executive control and effective parliamentary oversight.

X. European Union military mission

67. The European Union military mission (EUFOR) continued to conduct operations to ensure compliance with the General Framework Agreement for Peace and to maintain a safe and secure environment. EUFOR troops conducted a number of operations, including presence patrolling, observation activities, weapons collections and specific operations targeted at the support networks of war crimes indictees and associated criminal elements. Thanks to improvements in the security situation, EUFOR started to reduce and, in some areas, to end routine patrolling towards the end of 2006.

68. EUFOR maintained some 6,000 troops from 22 States members of the European Union and 12 other countries. The force remained deployed in three regional multinational task forces based in Banja Luka, Mostar and Tuzla, in addition to 44 liaison and observation teams throughout the country.

69. As a result of new common operational guidelines established with the European Union Police Mission, EUFOR ceased to conduct independent operations targeting organized crime. Instead, it backs up domestic law enforcement agencies when their requests for support are endorsed by the Police Mission. Having fulfilled its mandate, the Crime Strategy Group chaired by the European Union Special Representative, formerly assigned the task of overseeing the coordination and coherence of the European Union Security and Defence Policy in support of the Bosnia and Herzegovina authorities' fight against organized crime, closed down in November.

70. The European Union decided in principle on 11 December to downsize EUFOR in 2007. The European Union Political and Security Committee confirmed that decision on 27 February. Implementation has begun and is due to be completed mid-2007, when EUFOR will consist of some 2,500 troops in the country. The new force posture that is planned provides for the retention of one battalion and two independent police unit companies, based at Camp Butmir near Sarajevo, while additional battalions will be available "over the horizon" to reinforce EUFOR at short notice. EUFOR will, however, maintain a countrywide presence in the form of liaison and observation teams, the purpose of which will be to provide EUFOR with real-time situational awareness.

XI. Return of refugees and displaced persons

71. At the end of 2003, when property repossession was nearly complete, the Office of the High Representative handed over responsibility for refugee and displaced-person returns under annex 7 to the General Framework Agreement to the domestic authorities. Property repossession has since been completed throughout the country, all municipalities having dealt with outstanding first-instance applications for repossession of dwellings.

72. Permanent returns — and the sustainability of those returns — are, however, another matter. Unlike the number of repossessions, it is virtually impossible to offer a reliable estimate of the number of people who have returned physically to their pre-war homes. While the number of potential returnees grows ever smaller with time, a re-registration exercise undertaken by the Ministry for Human Rights and Refugees revealed that there were still 130,000 displaced persons in Bosnia and Herzegovina who wished to return to their pre-war homes. They need and deserve support, as do those who have returned but who often lead precarious lives. Field visits undertaken by the staff of the Office of the High Representative and the Office of the United Nations High Commissioner for Refugees found that an alarming number of "minority" returnees to rural areas lacked the rudiments of modern life, such as electricity and running water.

XII. Mostar

73. Persistent intervention by my Office in the affairs of the city of Mostar was necessary in the second half of 2006. The political parties continued to stall or prevent the reorganization of the city administration, the formation of a single public utility company to cope with ongoing waste-disposal problems and any resolution of the status of the city-owned but Croat-controlled Hercegovačka Radio-

Television. Moreover, the Croat-Bosniak dispute over urban planning threatened to create new parallel structures. All of these contentious issues continued to threaten the city's normal functioning and unity.

74. After the city authorities repeatedly failed to meet several deadlines I had set for resolving these issues, as well as to take up the opportunity I offered them to settle the television dispute through arbitration, it became necessary by September to appoint a special envoy of my Office to Mostar. I assigned the experienced Norbert Winterstein the task of trying to build the political consensus necessary to make decisions, as well as to arbitrate in cases where no consensus could be forged. If even arbitration were not acceptable, I asked him to propose solutions to me.

75. My Special Envoy soon succeeded in obtaining the consent of the City Council to arbitrate the final status of Hercegovačka Radio-Television. He decided that it must be either transferred to new ownership or liquidated by 31 March 2007. On 30 March, the City Council passed a decision to transfer ownership of Hercegovačka Radio-Television to three Croat-majority cantons, although they have not yet formally accepted such a transfer. He also succeeded in brokering agreements on the formation of a single public utility company and in pushing ahead with the reorganization of the city administration.

76. Since urban planning issues could not be resolved by compromise, as a last resort I issued two decisions on 22 December to establish urban and spatial planning bodies in the city. The Bosniak-dominated parties took those decisions as attacks on them and criticized them as biased.

77. Although my Special Envoy made significant progress in securing agreements and proposing decisions, the difficult work of implementation lies ahead in 2007. Continued obstruction may leave me no choice but to use the Bonn Powers again. Mostar remains politically unstable, and will continue to require the attention of the Office of the High Representative.

XIII. Brčko District

78. Since 1999, when the Final Arbitral Award established Brčko District as a single, multi-ethnic administrative unit under an international supervisor, the District developed a political culture that was distinct from the rest of the country. Problems were solved locally, without recourse to national political parties, even after the first district-wide elections in October 2004. Lately, however, this has begun to change. The political radicalization accompanying the general election campaign and the approach of the end of the supervisory regime have combined to create a new and negative dynamic. Fearful of a future without a supervisor to check nationalist excesses, parties have been playing up ethnic issues that had hitherto stayed in the background.

79. Serb politicians were concerned during the period about the need to appoint a new police chief. They believed the chief should be a Serb not only because his predecessor had been a Serb, but also because Bosniak politicians were reportedly expressing the desire to get hold of major enforcement positions in the government, including the police chief (the acting chief was a Bosniak), the new auditor and the public attorney, in addition to the mayoral and prosecutor positions they already held.

80. Accusations of corruption and national discrimination have been bandied about without regard for facts or evidence. Bureaucratic inertia, laziness and incompetence are often mistaken for deliberate actions. The government has procrastinated in making preparations to create an independent health insurance fund and public utility company and initially failed to provide for them in its draft 2007 budget. The District Assembly duly rejected it, displaying the dysfunctional relationship between the government and the assembly majority that has come to prevail.

81. Leaders already seem to be positioning themselves for the 2008 elections, both by raising nationalist issues and, increasingly, taking their cues (if not direction) from Banja Luka, Sarajevo or Mostar. This has had the effect of making some of the parties forming the governing coalition distance themselves from the work of their own government and not support government proposals in the assembly, the better to pursue party and personal interests. The situation culminated on 28 December, when Bosniak councillors staged a walkout during the Assembly's last session of the year in reaction to proposed reforms and the reallocation of positions resulting from government restructuring.

82. Outside influences on local political leaders are likely to intensify as the Supervisor's departure nears. The mayor could be weakened further, and may continue to rely upon the Supervisor to compensate for the inadequacies of his government and bureaucracy. To counter these deficiencies, the Supervisor has focused on increasing government accountability, performance and reform in order to diminish the impact of party politics on government services. Seven supervisory orders in February and March sought to promote that agenda. The Supervisor appointed a new police chief, restored two buildings to religious communities, amended the District statute, appointed members of the Audit Office, and dismissed five officials dealing with urban planning issues. These actions have had a positive effect on restoring Brčko as a place of realized reform and great potential.

83. In November, the Supervisor presented to the Brčko District Assembly a draft law of Bosnia and Herzegovina on Brčko District and explained the process by which a joint working group had prepared it. The post-election interregnum precluded the caretaker Council of Ministers from adopting and proposing the draft law to Parliament. The new Council now needs to do so, but it has also become evident that State and entity governments remain to be convinced that the law is adequate to the purpose.

84. Following a series of decisions that short-changed Brčko in terms of revenue, the Governing Board of the Indirect Taxation Authority finally adjusted the revenue-allocation coefficients for December and January to reflect the final consumption criteria when it met on 22 December. The rebalancing exercise for January-September 2006 returned nearly KM 7 million to Brčko. It remains to be seen, however, whether the final rebalancing, delayed as a consequence of there being no Federation finance minister, will restore all the funds that Brčko claims are owed. The District had meanwhile filed its submission asking for relief from the Arbitral Tribunal by 30 November. The submission complains that the taxation regime violates two principles of the Final Award. If the parties do not resolve their dispute in a timely fashion, it will be necessary to consider alternative solutions.

XIV. Bosnia and Herzegovina and the region

85. As a multinational State whose three constituent peoples also inhabit neighbouring countries, Bosnia and Herzegovina cannot escape regional disputes or instability. Even the ordinary politics of Croatia, Serbia and Montenegro have an impact on it. The Republika Srpska government, in particular, has felt compelled to do Belgrade's bidding on numerous occasions.

86. As I have emphasized above, however, the uncertainty over the future status of Kosovo and the delays in the announcement of the United Nations mediator's proposals had an especially baleful influence during the 2006 election campaign and thereafter. Indeed, the risk of regional instability is one reason why I concluded that it would be rash to close the Office of the High Representative and renounce the Bonn Powers as early as 30 June 2007, the target date set by the Peace Implementation Council in June 2006. Until such time as the status of Kosovo is both settled and accepted — and arguments and passions attempting to draw Bosnia and Herzegovina into the equation are moot and spent — fundamental changes in the nature of the international engagement in Bosnia and Herzegovina must be considered carefully. The country may be peaceable and secure, but it is just as vulnerable to external developments and their domestic reverberations as to home-grown political instability. The reverberations set off by the verdict of the International Court of Justice on 26 February are a case in point.

87. Any perceived lowering of international interest in Bosnia and Herzegovina or any apparent weakening of resolve to uphold its sovereignty and territorial integrity could invite trouble. The invitation by NATO to Bosnia and Herzegovina to join the Partnership for Peace had a decidedly reassuring effect. The signing of a Stabilization and Association Agreement with the European Union would provide an even greater boost.

88. Bosnia and Herzegovina still has minor border disputes with Serbia and Croatia, though the potential quarrel over Zagreb's plan to build a bridge between the mainland and the Pelješac peninsula that would have restricted access of Bosnia and Herzegovina to the Adriatic seems to have abated. Another long-standing irritant to regional relations — the constitutional bars on extradition of their nationals by Croatia and Serbia — remains unresolved, although cooperation among prosecutors continues to improve. Bosniak politicians' efforts to call the dual-citizenship agreement with Serbia into question following the departure of Montenegro from the State Union and subsequent lack of interest in concluding a similar agreement with Croatia have lately been overcome.

XV. European Union Police Mission

89. During the reporting period, the European Union Police Mission continued its successful work in co-locations with the local police. It implemented its refocused mandate and further strengthened its cooperation with EUFOR. With the Common Operation Guidelines in place, the Mission took the lead in supporting Bosnia and Herzegovina in the fight against organized crime and corruption, as tasked by the European Union Political and Security Committee. The establishment of the Criminal Justice Interface Unit charged with addressing deficiencies in cooperation between police and prosecutors was a positive step. The Unit focused on enhancing

both general and case-specific cooperation in order to facilitate effective investigations and prosecutions, as well as to contribute to strengthening the integrity of the country's criminal justice system.

90. Pursuant to an operational review conducted at the end of the year, the Police Mission concluded that greater effort was required to support the ongoing battle against organized crime and corruption, including the provision of more hands-on advice regarding specific cases, in addition to general guidance.

XVI. Non-certification of police officers

91. During the reporting period, I continued my efforts to help resolve the vexed issue raised when former Bosnia and Herzegovina police officers were denied certification by the International Police Task Force in 2002. The expert team of the Office of the High Representative/European Union Special Representative returned to New York in July and met once more with European Union missions, the Security Council Coordination and Drafting Group and the Department of Peacekeeping Operations to explore possible solutions. In August, I wrote to the President of the Security Council and the Secretary-General, expressing my view that the Office of the High Representative/European Union Special Representative, in cooperation with authorities of Bosnia and Herzegovina, had made every effort to provide the information required by the Council and the Department of Peacekeeping Operations and that it was up to the United Nations to take the next steps.

92. In November, I reiterated that point in my statement to the Council and later in meetings with the Secretary-General and the Under-Secretary-General for Peacekeeping Operations. In response to a letter in November from the Department of Peacekeeping Operations, and reflecting the mounting frustration and discontent in Bosnia and Herzegovina over the continuing stalemate, I wrote again in December to the Under-Secretary-General to suggest that it was incumbent upon our respective organizations to search for new solutions to this old problem. When former police officers embarked the same month on a hunger strike, the Council of Ministers of Bosnia and Herzegovina reacted by adopting a unilateral decision to establish a domestic review process for officers who had been denied certification. I called upon the Council of Ministers to respect fully its obligations under international law and pointed out that, were its decision to be implemented, I would have no choice but to consider further measures. I also called upon the Council of Ministers to contact the Security Council and the Secretariat as a matter of urgency. Since then, members of my staff have continued to consult with the Peace Implementation Council Steering Board members, Bosnia and Herzegovina institutions and others, including the Council of Europe.

XVII. Media development

93. Efforts to complete public broadcasting reform suffered a setback on 19 July at the hands of the Federation Constitutional Court, which ruled that the entity public broadcasting service law imperilled the "vital national interests" of Croats. In November, the Bosniak club in the Federation House of Peoples appealed to the Constitutional Court of Bosnia and Herzegovina, seeking to reverse the entity

court's decision. The Constitutional Court is not likely to rule on this issue before May.

94. If, however, that judgement is either unfavourable or further delayed, it will be necessary to introduce a redrafted law that meets the Federation Constitutional Court's original and technical objections. In the meantime, the Office of the High Representative/European Union Special Representative will continue to meet regularly with the public broadcasting service governors and other stakeholders to discuss the course of reform and to encourage measures to modernize and streamline the system.

XVIII. Mission Implementation Plan and the workplan of the Office of the High Representative

95. A total of 30 workplan items remain outstanding. The Peace Implementation Council Steering Board asked me in February to revise the workplan to focus on remaining Dayton implementation requirements and on consolidating the reforms of State-level institutions necessary for the stability and sustainability of Bosnia and Herzegovina.

96. Work continued, however, on ensuring that workplan items could be completed once the new governments were in place and normal legislative business resumed. In almost all cases, the impediments have not been technical, but have reflected an absence of engagement and determination on the part of the governing authorities. It remains to be seen how much political will the State and entity governments will be able to mobilize. The fact that the blockage in the Council of Ministers following the verdict of the International Court of Justice was overcome in mid-March — and some important decisions taken — may augur well.

XIX. European Union Special Representative

97. In line with my dual mandate as European Union Special Representative in Bosnia and Herzegovina, I continued to promote the priorities listed in the European Partnership document of 2006, as well as the implementation of the General Framework Agreement. I also worked on behalf of constitutional reform, which remains essential to both rationalize and strengthen the country's governance and, by extension, to equip Bosnia and Herzegovina for European Union integration. In my role as Special Representative, I also continued to provide political oversight of the European Union Police Mission. The Commander of EUFOR, the Commissioner of the European Union Police Mission and I revised the terms of reference for the European Union Crime Strategy Group during the reporting period.

XX. Reinforced engagement of the European Union in Bosnia and Herzegovina and closure of the Office of the High Representative

98. The staff of the Office of the High Representative and the European Union Special Representative worked towards meeting the conditions required for the transition from the Office to the Special Representative following the decision of the

Political Directors of the Peace Implementation Council Steering Board in June 2006 that the Office should prepare to close in June 2007. As I have emphasized throughout the present report, however, developments on both the regional and domestic scenes have been far from propitious, ultimately causing the Peace Implementation Council to decide on 27 February to maintain the Office. The Office and the Special Representative will therefore continue to work in tandem, but with the latter assuming increased prominence as a more gradual transition process proceeds.

99. In the meantime on 16 and 17 October, the General Affairs and External Relations Council welcomed the second joint report by the High Representative for Common Foreign and Security Policy of the European Union, Javier Solana, and the Commissioner for Enlargement, Olli Rehn, on a reinforced European Union presence in Bosnia and Herzegovina in the context of the closure of the Office of the High Representative. In accordance with my mandate, on 23 November, I submitted a detailed proposal for the consideration of the Council on the mandate, structure and resources required for a reinforced European Union engagement in Bosnia and Herzegovina. Working groups in Brussels examined the issues involved and the Council adopted a new joint action (legal basis) in January 2007. This will now need to be reviewed.

XXI. Reporting schedule

100. In keeping with my proposal to submit regular reports for onward transmission to the Security Council, as required by the Council in its resolution 1031 (1995), I herewith present my second regular report. Should the Secretary-General or any Security Council member require information at any other time, I would be pleased to provide an additional written update.